

CITY OF YAKIMA
Yakima County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. Payroll Time Reporting Controls Should Be Improved

In August 1993, city management was notified by concerned employees of alleged improprieties involving improper reporting of payroll hours by Ms. Jean Reid, director of the city's purchasing department.

As a result, the city commenced an internal investigation and concluded that the evidence did not substantiate the allegations. We also performed an evaluation of Ms. Reid's payroll time reporting and we noted the following irregularities:

- a. In November 1992, Ms. Reid submitted to her supervisor a payroll time card indicating that she had taken 32 hours of compensatory leave. Her supervisor approved the time card and returned it to her.

Ms. Reid should have forwarded this time card to another department for deduction of the hours from her balance on the city's accrued leave reporting system, however in March 1993, it was brought to Ms. Reid's attention that the time card was still on her desk.

In September 1993, when the city investigated these concerns, Ms. Reid responded that she had evaluated her records and found the November 1992, time card was still buried on her desk.

In October 1993, following the city's investigation, Ms. Reid began a leave of absence and has not returned to work. In December 1993, city personnel discovered the 1992 time card on her desk and it was forwarded for deduction from her leave balances.

- b. On several monthly payroll time sheets prepared by Ms. Reid it indicated that on certain dates she was on leave. However, in reviewing the city's payroll leave reporting system we noted no corresponding deductions of leave hours from her accrued leave balances. Accordingly, city payroll personnel have been advised to make the following deductions from Ms. Reid's accrued leave balances:

	<u>Hours</u>
July 1992	16
December 1992	8
April 1993	1
July 1993	<u>27</u>
Total	<u><u>52</u></u>

- c. On numerous occasions we noted where Ms. Reid appeared to have worked additional hours earning compensatory leave; however, she did not report these hours on a payroll time card or monthly time sheet. Conversely, we also noted where Ms. Reid may have taken leave from work and not reported these hours on the payroll time card or monthly time sheet.

Revised Code of Washington (RCW) 43.09.200 states in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees or other persons.

The accounts shall show the receipt, use, and disposition of all public property and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

To satisfy the requirements of RCW 43.09.200, the city's accounting system must include adequate internal controls to detect errors in a timely manner. The American Institute of Certified Public Accountants (AICPA) *Statement of Auditing Standards*, Section 319.69(2) states in part:

Establishing and maintaining an internal control structure is an important management responsibility. In establishing specific internal control structure policies and procedures concerning an entity's ability to record, process, summarize, and report financial data that is consistent with management's assertions embodied in the financial statements, some of the specific objectives management may wish to consider include the following:

- a. Transactions are executed in accordance with management's general and specific authorization.
- b. Transactions are recorded as necessary (1) to permit the preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) maintain accountability for assets.

We attempted to interview Ms. Reid, but only received a brief communication from her attorney. These conditions resulted because of weaknesses in the city's internal controls over payroll time reporting procedures. The supervisor approved time cards should have been routed directly for inputting to the city's leave reporting system rather than being returned to Ms. Reid. In addition, the city's payroll procedures include identifying one person from each department as a central timekeeper subject to the department head's review. In the case of the purchasing department, Ms. Reid appointed herself as this central timekeeper.

As a result of the above conditions the city was at risk of improperly compensating Ms. Reid for payroll leave benefits.

We recommend that the city improve its payroll time reporting controls.